Can Barney's recapture Cleveland for Kroger?
Nutritional foods: the category shapes up

1982 MEAT OUTLOOK

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

November 1981

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Chain Store Age
Supermarkets

November 1981

***Classic warehouse** format—discount prices in a barebones setting—meets one-stop-shopping service concept at Barney's* 38

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about a month of double-couponing with face limits—in short, practically a full year of bonus-couponing of one sort or another. The final results were a 10% jump in sales to $274,251,195—and a 35% dive in profits to $2,038,829.

Once again, Levinson cited the bonus-couponing as the main drag on profits. (He also said that "unusually cold" November and December weather caused skyrocketing utility bills.)

And fiscal 1981? So far, the same story. Sales are setting a record—$130,251,157 for the first six months—but the percentage of increase is slowing. This time, sales were up a relatively slim 7% from last year's figures. After all, 1980 figures included the volume burst from the introduction of double-couponing.

Profits, meanwhile, continued to slide, down 14%. This, too, shows a slowing rate. But any further slump on top of the previous hefty negative percentages is serious.

The bottom line? Profits will probably continue to decline, while sales have little room to rise. It seems likely that most people who would switch to Star for the sake of the multiple coupons have already done so. There are only so many people in the Rochester area, and they can only buy so much food.

Star appears caught between a rock and a hard place. And, probably, so is Wegmans. And Bells and Tops. And every other grocer trying to do business in Rochester, N.Y. □

Bonus coupons: tracing the cutting trend

***Double coupons** create more traffic, but does the increased volume balance the cost?*

Supermarketers may debate the cause of double-couponing in a given area, but the origin of the overall trend is clear: Couponing in general has grown like Topsy over the last 10 years. In 1970, manufacturers distributed "only" 16.4 billion cents-off chits. Last year, the A. C. Nielsen Clearing House reports, companies issued 90.6 billion coupons, almost double the amount of only four years before.

The actual percentage of coupons redeemed has held steady at around 4.5%. But a more significant factor is the rate of use by increasingly cost-conscious consumers. In 1970, 59% of American households saved

Cut-throat competition forces retailers to follow suit while shoppers clip away

and used coupons. Latest figures show about 20 points added to that figure.

The increasing importance of coupons to shoppers can be traced by the rise of coupon clubs, newsletters and even newspaper columns devoted to what can almost be called a hobby. The trend was propelled into high gear by the ever-rising inflation rates of the past decade.

In the beginning: The worsening economy through the 70's caught supermarketers in a bind as well, and they had to begin working harder to attract and hold customers. Bonus couponing gradually began to replace price and stamp wars as tactical weapons in some parts of the country.

Observers credit Ralphs, the California chain, as a pioneer. But the

first real cut-throat contest came late in 1975 in Des Moines, where four chains fought that city's "great three-day coupon war." The fracas included cash redemptions and resulted in charges of flagrant misredemption, complaints to the state attorney general, a ball park cost of $100,000 and the theft of 1,400 Sunday newspapers from the *Des Moines Register.*

Bonus couponing arrived in the fiercely competitive Northeast corridor about six months later, and became a standard weapon of price-war chains. The battle continues today—and almost all involved call it a matter of defending their own business.

The first super in an area to go to bonus couponing can realize a dramatic increase in traffic and sales. But it's a temporary increase. One New York retailer reports that when a competitor went to the technique, his customers would call and ask if he planned to follow suit.

A classic example of a chain responding to multiple couponing took place in the Boston area this fall. On Sunday, Sept. 20, Star Market Co. ads featured a variation on the double-couponing angle: Customers were urged to match manufacturers' coupons with four special Star chits to get double savings. It took Stop & Shop only until Tuesday to retaliate with an ad announcing doubling of *all* manufacturers' coupons.

It has even become relatively common for some supers to keep store signs for bonus coupons on hand, while a few others have TV ads filmed and ready to run after a call to local stations.

Costly tactic: It's amazing that multiple-couponing reached this level of acceptance in light of the costs involved. These go far beyond the obvious expense of matching the coupons' face value. Administrative costs, for example, can be monumental. Employees must be pulled from regular tasks, or extra help hired, to sort and mail the overflow of coupons. The amount of money tied up between the clearing house and the manufacturer can be immense. Time spent by consumers at the checkout counter can also increase markedly.

Verification problems: Then there's the problem of misredemption—unintentional or otherwise. Clerks can, if they're so inclined, pocket $10-$20 a day, say retailers. But more common is the difficulty involved in verifying all coupons.

In many cases, shoppers come in with a massive number of chits. The checker simply can't take the time to look at all of them, with a lineup of customers waiting—each with her own clipping collection.

A recent study published by The Consumer Network Inc. in its monthly *Shopper Report* indicates that many shoppers expect cashiers to look the other way when they present an expired coupon or one for a substitute if the store runs out of a given item—not uncommon where bonus couponing is concerned. The *Report* says that "Cashier-customer collusion on coupon validity is looked upon by some otherwise scrupulously honest consumers as no more than a deserved courtesy."

One way to eliminate difficulties with expiration dates is for manufacturers to stop placing time limits on their chits. Procter & Gamble and Pillsbury have recently been joined by General Mills in following this policy.

Another manufacturer practice retailers would like to see stopped is coupon "dumping" during double-couponing. One executive estimates that manufacturers doubled the number of coupons they normally issued in his area.

But the practice also takes planning and merchandising control away from supermarketers, leaving the decisions of what will move with the men who put out the coupons. The resulting stockouts and mix problems are frustrating to both retailers and consumers.

Topping it all off, consumers in double-couponing markets begin to feel they have a right to such offers. They'll save up their coupons against a double- or triple-couponing period, and they'll demand that their super match other double-couponers. They're getting a deal, and they love it—but they don't trust it.

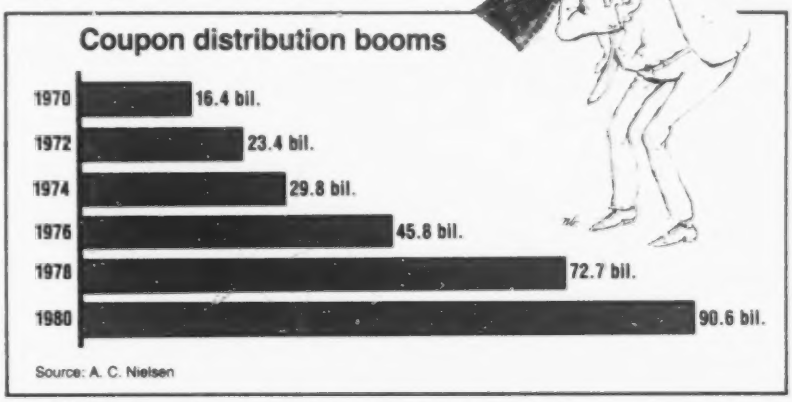
An independent survey of New Jersey shoppers a few years ago found 85% of those questioned redeemed their coupons regularly. More than 30%, however, believed the practice led to higher prices. And barely 30% could correctly identify the chains that offered double coupons—an indication of the brevity of the technique's loyalty-building benefits.

Looking ahead: What does the future hold? Most retailers say they wish bonus couponing would die quickly and quietly. Giant Food, a veteran of the Baltimore coupon wars, presented the GMA with a filmed plea back in 1980: Cut prices instead of pushing coupons. Other retailers are going public with the argument that manufacturers have pushed prices up past what they should be in order to allow discounting—often via coupons.

But the bottom line is simple—and frightening. Bonus coupon offers are a potent weapon. According to the *Promotion Activity Record* published by Weston/Herron, 34 out of 50 markets followed by Majers featured bonus couponing in the first half of 1981.

"Double coupons will draw customers better than anything else except triple coupons," asserts one observer. And to supermarketers presented with such a threat by their competition, the answer is quick, no matter what their feelings about the technique. In the words of one, "Competitively, we would answer any challenge." □

—Charlene Komar Kunkel



Retailers struggle

Which cut of meat do supermarket shoppers like the best? The answer, surprisingly enough, is not pork roast, ground round or even good old reliable sirloin. Analysis of meat department performance during 1980—and the same trend is holding through the current year as well—discloses the fact that America's favorite viand is sale. As in "meat sale."

In what is proving to be a turbulent period for the supermarket

Shoppers are hunting for hot specials and trading down to cheaper cuts

meat department, dollar-conscious consumers have shelved many of their longstanding buying preferences to chase after the hottest specials week after week. And the specials have been plentiful over the last 18-24 months, to say the least.

Retailers have long recognized that meat, along with produce, is one of the prime shopper lures. Operations struggling to maintain market share against fierce competition—and these days there seem to be price battles in just about every major city—have been using deep-cutting meat promos, especially on pork items, as traffic-builders.

Although category sales rose 10.4% to $33.2 billion in 1980, up from the previous year's record total of $30.1 billion, the extra dollars resulted primarily from the effects of inflation. Sales gains didn't quite keep up with the inflation rate in 1980, and the tendency for shoppers to either cherrypick the specials or trade down to more economical cuts is the prime reason.

The current year figures to be about the same, if not worse, when

Steadily increasing *product variety and near-constant promotion are the most prominent features of today's meat department.*

for profitability

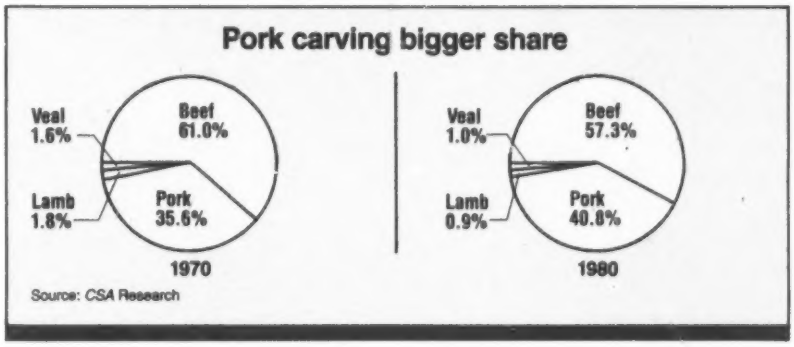
1982 Meat Outlook

all the data is finally collected. A spot check by *Chain Store Age Supermarkets* shows that more than half of the supermarket operations contacted are reporting lower meat sales than the previous year. By comparison, only about one retailer in four is actually notching gains in this crucial department.

The U.S.D.A. reports that per capita meat consumption rebounded a little in 1980 after having registered year-to-year declines annually through the late 1970's. Unfortunately, the increase in meat-eating to 184.3 lb. per capita last year is hardly cause for rejoicing. It's still more than 9 lb. per person less than in 1976.

Where have all the meat-lovers gone? In many cases, they can be found browsing the produce department. Societal and economic factors have combined to turn some folks away from traditional, meat-centered meals. Trends having the greatest overall effect include:

- **Health issues.** For years, many health pundits have hammered away at the public with the message that a meat-laden diet may not be in our best interests. A highly controversial Government report issued in 1980 added further fuel to this fire by suggesting that Americans should endeavor to reduce the amount of meat they eat. (The fact that other Government agencies subsequently disputed this recommendation is probably beside the point; consumers had already read the headlines.)
- **Chronic recession/inflation.** Meat prices have soared well over 110% in the last decade. Financial necessity has driven many shoppers from the meat case to the pasta aisle.
- **Demographic changes.** There are two significant ones with regard to meat: the increasing number of small households and the de-emphasis on families eating their meals together. The former is crucial, because it is a documented fact that one-person households buy proportionally less meat than larger families. In the case of the latter, fewer regular meals means that people are often substituting quick-fix snacks for more substantial fare like steaks, roasts and chops.



This is not to say that all the news is negative. With the beef supply on the upgrade once more—it is expected to peak in late 1982 or first half 1983—prices may moderate somewhat over the next year. This could induce some shoppers to resume buying more expensive cuts of meat.

Tough times have also taught retailers how to run their meat departments more efficiently. The introduction of boxed meat programs, now virtually a standard in the food business, are cutting labor costs and giving grocers the chance to practice flexible merchandising strategies that meet the needs of shoppers better than ever before.

On the other hand, false optimism should not be encouraged. Meat, especially beef, is no longer quite the easy sale it once was. Supermarket meat people will have to monitor the twists and turns of the market even more closely than they already do in order to keep the department functioning as a prime traffic draw and profit center. □

Can beef reverse the consumption trend?

If you enjoy stories with cliff-hanger endings, then the saga of beef in the supermarket is probably your meat. It's a tale that has a little bit of everything, including high drama, nerve-tingling suspense and loads of surprising twists and turns.

Beef has long held sway as the monarch of the meat cabinet. As recently as the mid-1970's, six out of every 10 supermarket red meat purchases were beef cuts.

A whole constellation of problems has wrought some remarkable changes in the meat department since then, however, with the result that beef will represent only about 55% of red meat purchases this year. Observers of the market predict that by the end of the 20th century—a date that is no longer so very far away—beef will be toppled from its throne. If present trends continue, say the futurists, poultry and pork will both rank ahead of beef in sales.

How could such a thing happen in this steak- and hamburger-happy land?

Difficulties associated with beef begin—but do not end—with the roller coaster supply situation. The beef cycle has received a lot of attention and discussion in recent years, but it is still only slightly less inevitable than death and taxes.

Unfortunately the most recent periodic downswing in the size of the cattle herd virtually coincided with the downswing in the economy during the mid- to late 1970's. So at a time when most Americans were hoping to trim their expenses, the price of popular beef cuts rocketed upward.

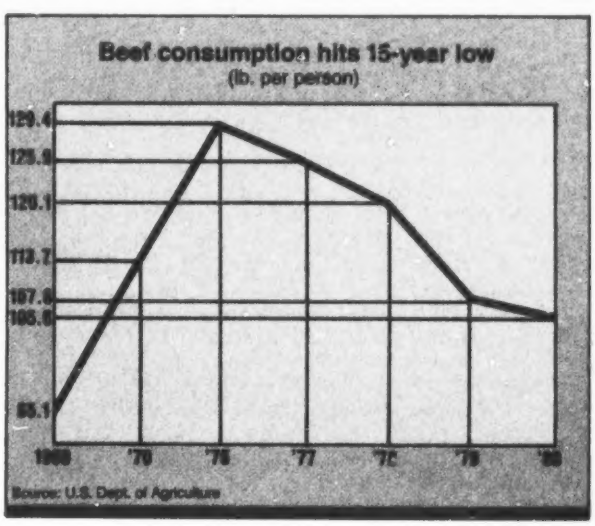
Unsettling statistics: How severe is retail beef price inflation? The U.S. Department of Agriculture offers some disturbing comparative figures. Rib roast, for example, cost an average of $1.85 per pound five years ago. In 1980, retailers were forced to tag the same meat at $2.99. Ground beef, over the same five-year period, went from $0.83 per pound to an average of $1.58 per pound.

The price hikes for competing protein sources such as poultry and pork have not been nearly as severe. Pork has actually declined in price over the last couple of years as a result of a combination of near-constant price promotion and abundant supply.

The smaller size of the herd isn't the only thing that's pushing retail prices higher. Although grain remains a plentiful crop in this country, competition for the available supply brought on by shortages in other countries like Russia and China has driven up the cost of fattening cattle on the nation's feedlots. In a country like ours in which 78% of supermarket beef purchases involve Choice grade, any increase in fattening costs will have grave repercussions.

On the other hand, it hasn't exactly been home sweet home on the range. Last year's drought created adverse pasture and forage conditions that only improved significantly this past summer.

Mother Nature is now turning a more kindly eye toward the cattle business. The cattle herd population is once more on the increase,



the most recent grain harvests produced a bountiful supply of feed, and only a few isolated areas of the country are still experiencing the kind of drought that staggered the land between the Appalachians and the Rockies in 1980.

The question retailers now must ask themselves is: Will lower prices arrive in time to prevent the retreat from beef from becoming a rout?

From Choice to Good: One possible answer to the dilemma supermarket meat merchandisers face is a shift from the current heavy emphasis on Choice beef. At the present time, this grade accounts for roughly 78% of the beef sold in supermarkets, but there is a marked trend under way toward offering Good grade instead of—or, more frequently, in addition to—the usual Choice cuts. Meat merchandisers are attempting to keep shoppers buying by offering Good or No Roll, now respectively 8% and 13% of total supermarket beef dollar volume.

Safeway Stores, Oakland, Calif., is one chain that has turned away from its historic reliance on Choice to some extent. A recent speech before a meeting of the American Meat Institute by Safeway chairman Peter Magowan sheds considerable light on why ungraded beef is now sold side by side with Choice in many Safeway divisions. The chain, Magowan reported somewhat dolefully, took a shopper survey that disclosed that:

- One-third of Safeway shoppers didn't know the chain carried Choice beef.
- Two-thirds thought Choice was a leaner grade of beef than Good.
- One-third claimed to have purchased no beef in the previous four-week period.

As a consequence of these findings, Magowan told AMI members, Safeway will be looking to buy leaner cuts even within the Choice grade.

Sources report that in Safeway supers which offer both Choice and No Roll, the latter has grabbed more than 60% of beef volume.

Of course, such a shift to Ungraded can incur some short-term disadvantages. In the hotly competitive Washington, D.C., market area, for instance, Giant Food has responded to Safeway's No Roll thrust with a promotion themed "Giant, the *Quality* Meat People." (It should be noted that Giant carries Giant Lean, which is also Ungraded, in addition to a selection of Choice and Prime cuts.)

Ironically, the upturn of interest in Ungraded beef comes at a time when the supply picture for both feedlot and range-fed cattle looks brighter than it has in some years.

The July 1 cattle census included several rays of sunshine:

- Total cattle and beef cow population is up 2% over the previous year.
- The number of beef replacement heifers saved for possible herd expansion has risen 7% over the comparable period of 1980.
- The supply of feeder calves is running 2% above last year.

Although an expected decline in feed cattle marketings is pinching supply during the current quarter, there should be a general easing of the supply situation as the new year progresses. (The ban on Australian meat imports is a wild card factor. It's likely to affect the price of ground beef, but how much more far-reaching the consequences will be could not be determined with certainty as *CSA* goes to press.)

With pork prices scheduled to rise at least somewhat next year, there could possibly be some return to beef on the part of supermarket shoppers.

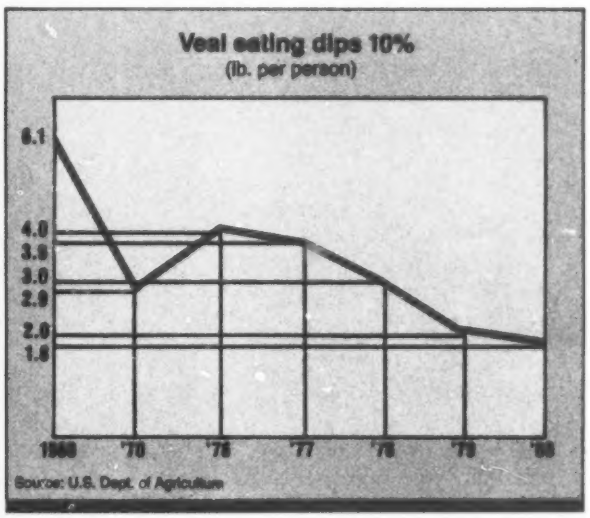
Will changes in the price structure come soon enough to save the day for beef? Will the decline in per capita consumption stop in 1982? These and other questions can only be answered in the next chapter of the ongoing supermarket beef story. □

Price differentials alter shopping patterns

(Index figures, 1967 = 100)

	1976	1977	1978	1979	1980
All items	170.5	181.5	195.4	217.4	246.8
All food	180.8	192.2	211.4	234.5	254.6
Food at home	179.5	190.2	210.2	232.9	251.5
Food away	186.1	200.3	218.4	218.4	267.0
All meats	178.2	174.2	206.8	241.9	248.8
Beef & veal	164.5	163.6	201.0	255.8	270.3
Pork	190.5	188.8	213.1	216.4	209.1
Other	178.4	177.3	208.8	239.5	248.6

Source: U.S. Dept. of Labor



Pork gets warmer shopper reception

As recently as the mid-1970's, supermarket pork sales suffered as a result of a surprisingly bad reputation. In the opinion of all too many consumers of that period, hogs were overfed animals that yielded meat which was relatively low in nutritional value compared to alternative sources of protein such as beef.

As a consequence of this bad press, per capita consumption of pork products was hovering slightly above the 58-lb.-per-person mark in 1976.

Since then, suppliers have mounted a hard-charging promotional campaign aimed at dispelling myths about the noble pig. They hammered home the message that pork had actually become one of the most efficient protein sources and, aided by near-constant specialing of pork in the supermarket, succeeded in creating a much more favorable climate for pork.

As beef prices headed for the stratosphere in the late 1970's, pork sales volume really began to climb. Even the brief nitrite scare, which at one time seemed capable of wiping bacon, hotdogs and other popular pork products from the meat cases, could not slow the pace of sales expansion for long.

Figures for 1980 show pork consumption at a 35-year peak of slightly more than 75 lb. per person. If the gains continue, and most meat experts are confident that they will, pork could displace beef as the most popular meat by the late 1980's.

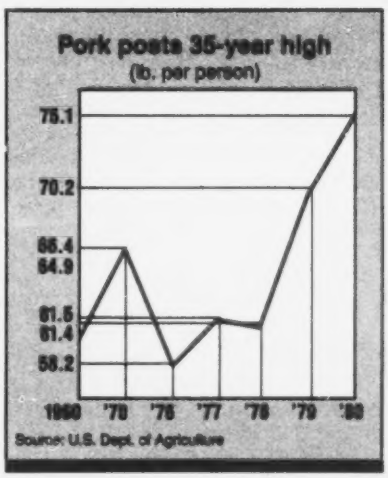
One reason for the optimism is that the majority of supermarket operators believe that the next three to five years will see much greater usage of boneless pork. This development promises to give retailers the same merchandising flexibility—and provide shoppers with the same wide selection—as is now possible with both beef and poultry. Whereas today's typical supermarket pork section displays only 8-16 cuts, boneless pork can easily increase this to 40-50 cuts.

Pork prices edge downward

(price per lb.)

	1976	1977	1978	1979	1980
Loin chops	$1.88	$1.85	$2.06	$2.13	$2.02
Sirloin roast	1.34	1.23	1.44	1.33	1.43
Sliced bacon	1.52	1.40	1.58	1.45	1.44
Whole hams	1.19	1.14	1.28	1.30	1.26

Source: U.S. Dept. of Agriculture



Boneless pork represents quite a labor-saving change for the retailer. As a spokesman for the National Pork Producers Council puts it, "All a retailer has to do is zip open the vacuum packaging!" It may not be *quite* that convenient, but boneless pork does eliminate the need for sawing, boning and scraping while reducing time-consuming trimming to a minimum.

Outlook: Feeding margins in the Cornbelt remained negative throughout the current year, though the situation improved to a deficit of about $2 per cwt. during the fall.

This state of affairs is having the expectable effect on the prospects for future pork production. Based on mid-1981 farrowing intentions, 11% below year-earlier levels, it is likely that the supply of pork will be drastically reduced during first-half 1982. Losses incurred over the last two years may make hog-raisers a little slow off the mark when it comes to building up the pork supply, so retail prices will probably rise a little in the January-June 1982 period. □

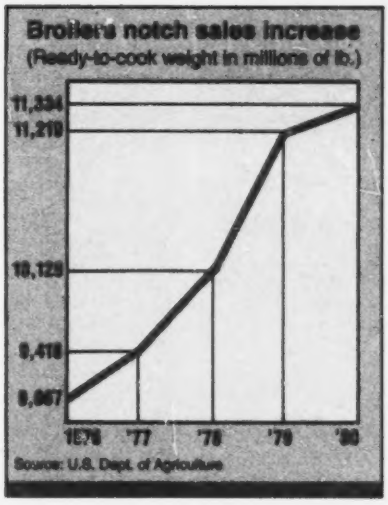
Merchandisers predict fair weather for fowl

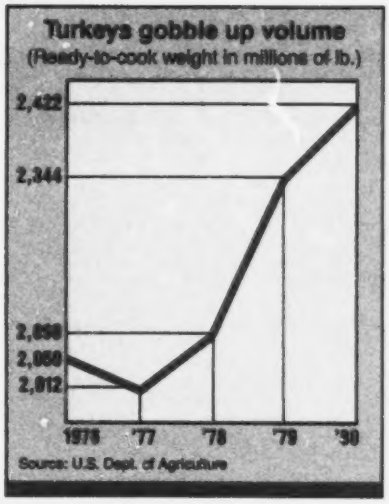
Although retailers continue to experience frustration over the spotty sales performance of beef, poultry is an entirely different—and much happier—matter. Chicken and turkey are flying high in the meat case.

Anyone mystified by the soaring sales curve can easily learn the secret of poultry's success by checking out the checkout tape; As it has been for some years, poultry today remains one of the outstanding bargains in the supermarket. During 1980, for example, the average retail price of broilers in nine major markets monitored by the U.S. Department of Agriculture was less than 47¢ per lb. That's less than one-third the price most supers charged for ground beef! Perhaps even more remarkable is that this average is just 2.2¢ per lb. higher than the previous year.

This price stability in the face of double-digit inflation has consumers flocking to the supermarket poultry section in record numbers. Per capita consumption of poultry reached 57.4 lb. per person in 1980, and the current rapid rate of growth makes 60 lb. per person a reasonable, perhaps even a conservative, goal by the mid-1980's. The average American now eats about 25 times as much turkey and chicken as shortly before and during World War II.

Big changes in the poultry indus-





try itself have contributed much to the rapid development of business. Bird suppliers have stopped being just producers and become genuine product marketers in recent years.

Three developments have been instrumental in the meteoric sales rise poultry has charted during the last decade:

1. Widespread use of chill pack. Now the dominant form, chill pack accounts for approximately 65% of all poultry sold in supers. It greatly reduces department labor—and therefore boosts productivity—by eliminating the cutting and cleaning needed with ice-packed poultry.

2. Introduction of brands. Prepacked branded poultry means less work for the retailer and, in the opinion of many shoppers, a better overall product. Companies like Perdue, which really created the vogue for branded chicken parts, are also backing their birds with a level of advertising support unmatched in the meat department.

3. A switch in emphasis from whole birds to parts for both chicken and turkey. Marketing of parts has not only made it easier for supermarketers to satisfy shoppers' diverse needs, but has paved the way for selling high-ticket prepared poultry items. The effect on turkey has been especially significant. Once just a seasonal item for the holidays, turkey has become a year-round seller, with four out of five purchases involving parts rather than whole gobblers.

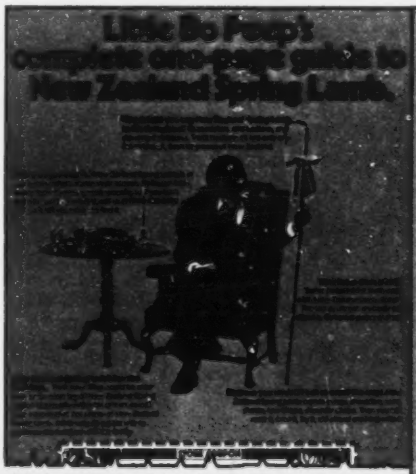
Outlook: The coming year is likely to keep poultrymen—and grocers—smiling. Lower feed costs and more favorable weather conditions are boosting supply an estimated 5% for broilers and perhaps even more for turkey, but reduced competition from red meats during first half 1982 is expected to keep prices firm. □

Imported lamb boosts category sales

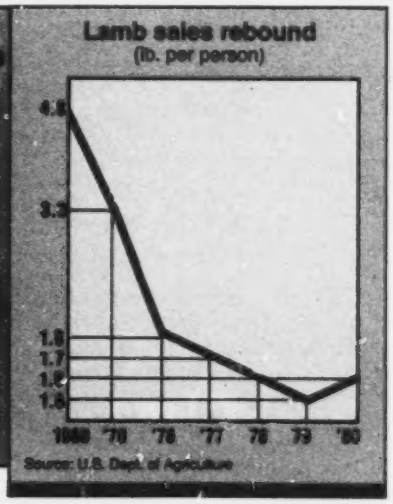
Something exciting and unusual happened in the lamb subcategory in 1980: Sales and per capita consumption increased. Such news would hardly raise an eyebrow if the subject were pork or poultry, but supermarkets haven't experienced a solid gain for lamb for at least a decade. The average American ate about 10% more lamb last year than in 1979, and suppliers are already celebrating an increase of comparable magnitude for the current year.

Momentum for this apparently sudden turnaround has actually been building for the last several years. It is the result of a fundamental change in the retail lamb business. While sales of domestically raised lamb are continuing to fall or at best mark time, the volume of imported product is growing steadily.

The reason: Domestic lamb is one of the last meat products that still reaches the store as a carcass on a rail, while imported lamb, principally from New Zealand, is distributed in the form of case-ready retail cuts. Boxed lamb shares the basic advantages of similar programs for other types of meat. Boxed retail cuts make lamb especially attractive for retailers whose stores aren't located in traditional lamb strongholds like New York City and Florida, because it permits the stores to carry less inventory.



Ads have boosted lamb appeal, sales.



The New Zealand Lamb Co. will be pumping $1.5 million into advertising and promotion in 1982 to keep sales moving in a positive direction. The main thrust will be to increase sales of lamb during the Thanksgiving-New Year's holiday period as an alternative to more expensive steaks and roasts.

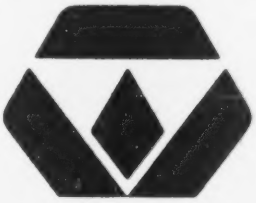
Anything that promotes trial buying would have to be a plus. The biggest obstacle to major sales growth is that a lot of folks simply aren't familiar with lamb. In fact, it is estimated that slightly more than half the population has never served lamb as a family meal! Broadening the audience for lamb, with special emphasis on attracting high-income males in their 30's (believed to have the highest potential as lamb consumers), will be the top marketing priority for the next few years. □

—Arnie Katz

Wetterau turns back tender offer

In the continuing Wetterau Inc. saga, Empire, the energy company, has reached an agreement with the $2 billion food distribution company and withdrawn its tender offer.

Wetterau purchased 370,000 of its shares from Empire and received assurances that the propane company would withdraw pending claims, not initiate any new claims



or litigation and not invest in Wetterau for 25 years. The agreement cost Wetterau $9.5 million.

The arrangement came on the heels of Wetterau's agreement in principle to acquire Laneco, an Easton, Pa.-based retail operation.

Laneco owns and operates 14 shopping centers, one prototype drug store and two department stores, as well as supermarkets and combination food and department stores. Sales total over $200 million annually.

The agreement, if approved, will require a tax-free exchange of 1.5625 Wetterau shares for each of 1,145,832 outstanding Laneco shares.

In late September, Wetterau also revised downward its earnings predictions for the current fiscal year. The statement blamed "general market conditions and some softness in the demand for its products."

Additionally, the Missouri-based firm announced it is considering switching to the LIFO method for inventory. This would result in a reduction in earnings of at least 10%, the statement added.

Total Jewel sales, earnings soar

Jewel Cos. reported hefty gains for the first half of fiscal 1981, with total sales hitting $2,646,755,000, up 26.2% from the same period of a year before. Domestic net earnings rose 46.6% to $34,930,000 for the 28 weeks ended Aug. 15. This figure excludes a gain of $15,940,000 on the sale of 20 million shares of Aurrera, S.A. in which Jewel maintains a 36.1% equity interest.

Supermarket sales for the Chicago-based company weren't as impressive as the overall figures. The 346 supers logged $1,656,429,000, only 5% above the $1,577,872,000 recorded in the first half of fiscal 1980. The figures look slightly better, however, when sales for the Milwaukee stores, which were sold in 1980, are factored out. This would change the second-quarter increase from 4.5% to 7%.

Earnings for the supermarkets, though, rose 15.4%. According to a company executive, Buttrey and Jewel Food Stores remained strong, while Eisner earnings fell short of last year's figures until the end of the quarter, when they outshone 1980. Star Markets' second-quarter earnings were "sharply reduced" due to "intense competitive activity in the Boston market."

Hannaford, Empire reach agreement

Hannaford Bros. and Empire Co., a Canadian group controlled by Frank N. Sobey, have reached an agreement that will end a Hannaford-initiated suit.

The court action accused Sobey and connected individuals and firms of scheming to obtain control of Hannaford. The agreement calls for Hannaford to sell Empire 48,200 shares of stock, bringing Empire's interest in the Maine-based firm to approximately 23%. Empire, in turn, will not buy additional shares unless another party bids for a considerable amount of stock or unless additional shares are issued.

The agreement, which will last until the end of 1983 and may be renewed, is subject to approval by Hannaford's directors.

Penn Traffic sales affected by strike

A strike in Penn Traffic's Riverside division supers pushed earnings down in the first half of fiscal 1981. Income dropped 34% from the year before, skidding to $2,171,000.

Sales, however, fared slightly better, logging a 5.3% rise as compared to the same period in 1980.

President and ceo Guido Malacarne estimated the firm would have rung up $10 million more in sales without the strike. He also said that high interest rates and the "uncertain" employment situation in Pennsylvania added to the company's troubles.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Foodarama	9 mos.	8/1	$ 316,653,000	1	$ 505,000	137	0.16
Star Supers	9 mos.	9/12	194,731,120	6	1,082,398	– 23	0.51
Giant Food	6 mos.	8/15	735,742,000	16	(2,236,000)	—	—
Jewel Cos.	6 mos.	8/15	2,646,755,000	26	34,930,000	47	1.32
Penn Traffic	6 mos.	8/1	213,201,000	5	2,171,000	– 34	1.02
Pueblo Int'l	6 mos.	8/1	219,867,000	22	471,000	– 61	0.21
Safeway	6 mos.	6/20	7,370,000,000	12	46,100,000	– 8	0.63
Stop & Shop	6 mos.	8/15	1,111,004,000	10	551,000	120	0.05

Source: Chain Store Age Research

Figures in parentheses denote a loss

Price sensitivity squeezes OJ sales

When the price of a product increases as much as 43% over a 12-month period, what happens to sales?

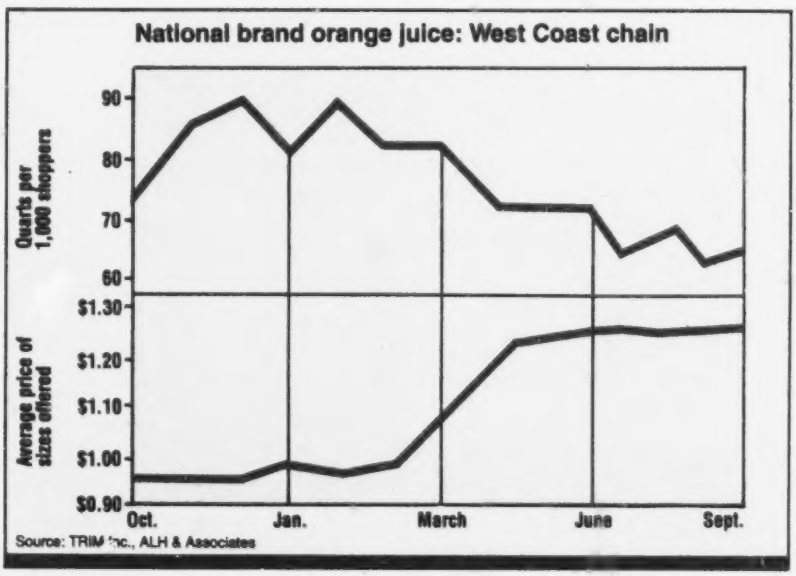
In the case of frozen orange juice, volume plunged to varying depths —20%-47%—depending on geographic region and whether the item involved was national brand, private label or generic.

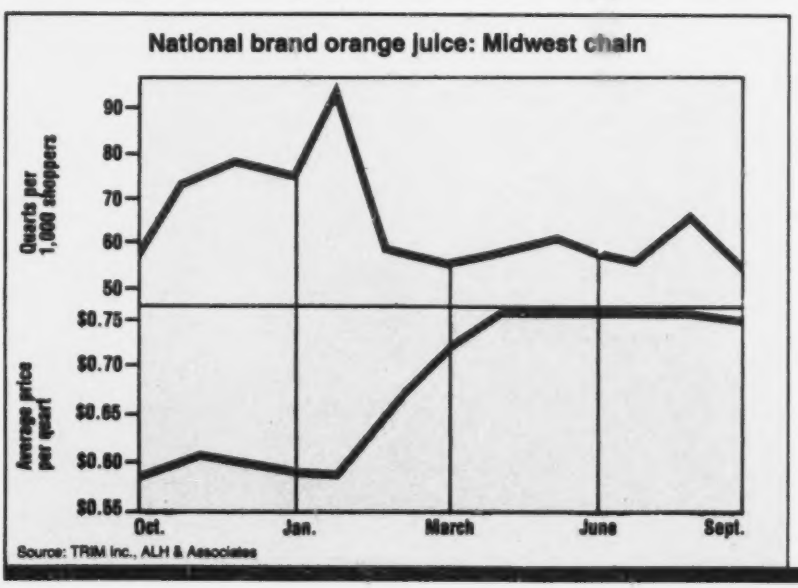
The "best" of this "worst" scenario is that chains in some areas, notably the Pacific Northwest and East, ended up with flat sales—but only after promoting aggressively and "eating" some of their margins.

If shoppers are buying less frozen orange juice, are they buying more chilled—or are they switching to other less expensive juices?

To find some of the answers, TRIM scan-analyzed four chains in the West, Pacific Northwest, Midwest, and East. These companies, operating 104 stores, were monitored for 13 four-week periods, ended Sept. 30, 1981. Data, based on the average price of three sizes—6 oz., 12 oz. and 16 oz.—were reduced to ounces.

The findings, by region:





West Coast

Prices of national brand frozen orange juice increased 32%; sales dipped 20%.

Private label prices rose 35%; sales remained flat.

Generic (only the 12-oz. size is carried) prices rose 43%; sales plummeted 47%.

Conclusion: Shoppers are conditioned to perceive generics as a low-price entity, so when prices jumped 43%, many generic buyers turned to private label. Although private label prices rose even more than national (35%), shoppers gave it their "value vote," feeling that private label quality was superior to generic.

Chilled orange juice provides only limited comparison because this Western chain does not carry a generic label. Thus, the dynamics prevailing in frozen orange juice—where the price/value of generics triggered private label volume—was missing on chilled.

Even so, prices of private label chilled orange juice rose only 17%, compared to a national 25%. Result: National sales decreased 12% while private label remained steady. A logical conclusion is that chilled, operating from a lower-price base and with a "more convenient" tag line, converted some frozen orange juice customers.

Midwest

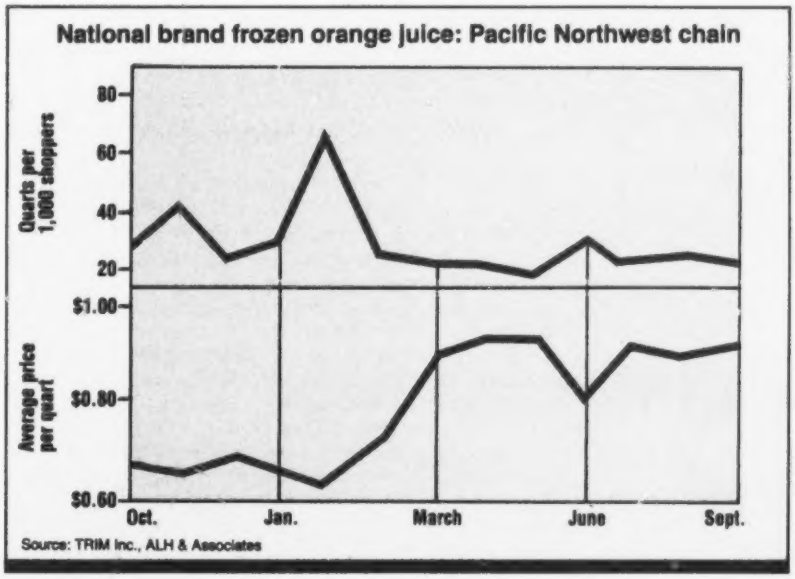
This chain does not have a generic frozen orange juice. Therefore, consumers apparently regarded private label through the same lens as generic—that is, as a low-price item. So when the price hike on private label outpaced national (37% to 33%), customers opted for national. Result: National sales were down 25%; private label, 35%.

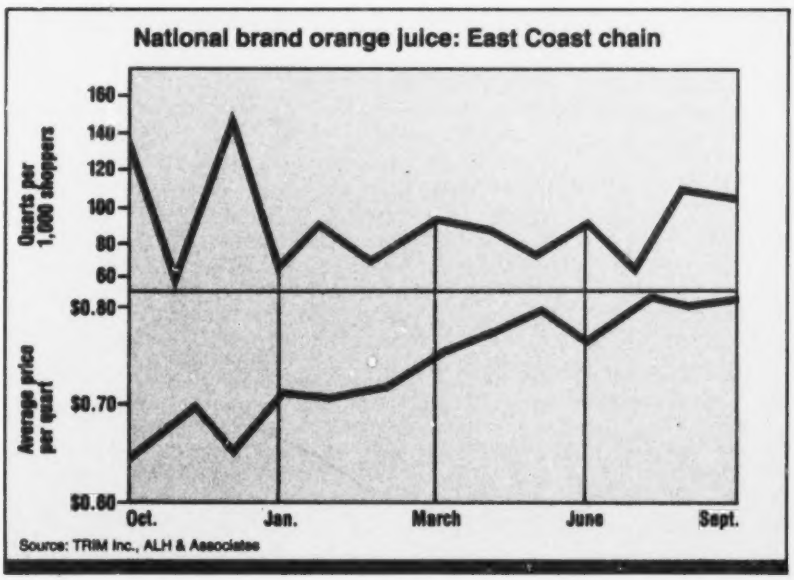
Pacific Northwest

This chain carries only national brands.

It is not surprising, then, that with powerhouse promotions, sales remained steady even though frozen orange juice prices rose 31%.

The same forces were evident with chilled: no private label or generics. Therefore, when prices jumped 35%, sales did not drop.





East Coast

Retailers in the East footballed national brand frozen orange juice, promoting it six times during the year.

The aftermath was therefore predictable: Prices increased only 20%, and sales were unchanged.

It is not fair to compare private label because for the first six months this chain had only a controlled label. Then it replaced the controlled label with a private one for the remaining six months.

On chilled, the price of national brands escalated 38%, and sales dropped 50%.

The performance of private label and generic chilled is blurred because during the first six months the chain had no generic brand. This chain also carries a regional brand, in addition to its private label, making any comparison imprecise.

Although prices of other juices increased in tandem with frozen and chilled orange juice, gains did not match the double-digit intensity of orange juice.

The crux of the comparison of other juice varieties is that two factors were working at cross purposes. On the one hand, some orange juice customers felt the California/Florida gold was too expensive and shifted to less expensive frozen juices such as apple and grape. (The average retail of 12-oz. "other" frozen juices was 73¢-98¢, whereas frozen and chilled orange juice were well over $1.)

On the other hand, some orange juice regulars simply stopped buying orange juice—and bypassed other juices as well.

Ethnic shoppers favor national brands

White shoppers spend almost three times as much on frozen orange juice as blacks—and more than twice as much as Hispanics.

Purchase incidence (dollar sales per 1,000 transactions) for whites registered $130.50; blacks, $41, and Hispanics, $57.80.

As for brand preferences among ethnic shoppers, both blacks and Hispanics prefer national brands.

Share of frozen orange juice sales

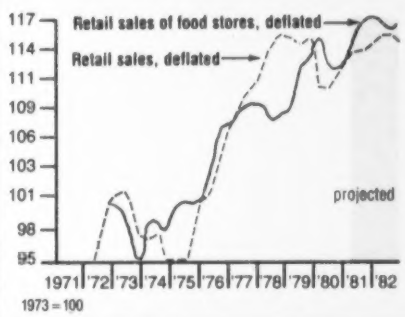
Source: TRIM Inc., ALH & Associates	White stores	Hispanic stores	Black stores
National brand B	18.7%	18.9%	13.0%
National brand A	21.9	27.4	28.1
Private label	39.1	34.8	35.8
Generic	28.3	28.9	23.1

Analysis of two national brands (Minute Maid and Tree-sweet) revealed that 41.1% of blacks and 38.2% of Hispanics bought national, as compared to 39.1% of whites.

With regard to private label frozen orange juice, white shoppers (39.1%) outpointed blacks (35.8%) and Hispanics (34.8%).

The white shopper again tipped the sales scale on generics—28.3% vs. 23.1% for blacks. In this category, Hispanics bought more generics than blacks, registering 28.9%.

Supers set for 5% Nov. sales gains



Food stores

Sales change by quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81 3Q %	'81* 4Q %	12-month % change '79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.5	10.7	8.7	7.5	12	11	9
Real sales (deflated)*	5.8	4.9	2.0	– 0.6	– 1.4	– 0.3	– 1.5	4.6	2	3	1

Base = July 1981 sales
*Projected

Recent braking trends in sales, coupled with major revisions in the latest Government statistics, now point to a slower rate of general sales velocity in 1981 overall than forecast previously.

Total retail sales will probably match or edge slightly above 1979-80 levels, Econocycle computations reveal.

As a result, the L/F spending indicator (below) is also pegged lower than projected earlier in the year. But there still appear to be strong signs that consumer confidence—spiked by just-initiated tax rebates—will pick up in 1982 at a steady but slower rate of growth.

Total retail sales gains are expected to edge up about 2% over the next two months. This will depress the final-quarter gains of 4% that were originally expected, according to the latest forecast computations.

The L/F Econocycle projection for supermarket/food retailing is for continued smooth sailing. November sales are set for a strong 5% gain, followed by roughly 4% increases in December.

This trend will continue into '82, although at a slightly slower rate vs. general retailing, longer-range Econocycle forecasts now indicate.

Other retailers that also show strong sales surges over the coming months include:

- Department stores, which will plow ahead with solid 3% and 4% monthly gains, leading to a near-5% fourth-quarter increase.
- Apparel specialty operators, which are pegged for gains in the 3% range over the next two months.
- For the longer pull, drug stores are expected to revive a sales momentum that started to decrease (according to newly revised Government figures) back in 1980. By second-quarter 1982, drug stores should be running briskly ahead of 1981 levels.

Spending indicator
Retail sales, deflated
projected
Household spending
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	9.4	8.7	9.0	7.8	7.9	2.7	7.3	9.4	7.5
	4Q*	7.4	7.6	7.1	0.6	4.5	1.6	5.5	6.1	5.0
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.2	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	9.0	8.0	8.0	5.0	8.0	9.0	8.0

Real sales (deflated)*
% change by quarter

1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	– 17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	– 18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	– 10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	1.9	1.8	0.7	0.5	– 1.0	– 3.0	3.5	3.6	2.1
	4Q*	1.8	4.6	0.5	– 6.1	– 2.9	– 4.9	2.8	1.2	0.2
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980	– 3.0	3.0	– 0.7	– 12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	2.0	1.0	0.3	– 0.3	– 9.0	– 0.7	4.0	3.0	2.0

Base = July 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.